General Assembly

Raised Bill No. 1451

January Session, 2007

LCO No. **6052**

06052_____FIN

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

AN ACT ESTABLISHING THE CONNECTICUT HOMECARE OPTION PROGRAM FOR THE ELDERLY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective October 1, 2007*) (a) For purposes of sections 1 to 6, inclusive, of this act:

(1) "Depositor" means any person making a deposit, payment, contribution, gift or other deposit to the trust pursuant to a participation agreement.

(2) "Designated beneficiary" means any individual who enters into a participation agreement or is subsequently designated as a spouse or the partner to a civil union of the designated beneficiary.

(3) "Eligible home care provider" means (A) a provider licensed in Connecticut to perform home care services for the integral activities of daily living, or (B) licensed transportation services.

(4) "Participation agreement" means the agreement between the trust and depositors for participation in a savings plan for a designated beneficiary.

(5) "Qualified home care expenses" means the cost of services performed by an eligible home care provider, and the cost of any other service recommended by a physician and provided by a licensed provider.

(6) "Trust" means the Connecticut Home Care Trust Fund.

(b) There is established the Connecticut Homecare Option Program for the Elderly, to allow individuals to plan for the cost of services that will allow them to remain in their homes as they age. The Treasurer shall establish the Connecticut Home Care Trust Fund, which shall be comprised of individual savings accounts for those expenses not covered by a long-term care insurance policy. Deposits into the trust may be subtracted from the Connecticut adjusted gross income, as defined in section 12-701 of the general statutes, as amended by this act, up to an annual maximum deposit into the trust of five thousand dollars for persons who file a return under the federal income tax as an unmarried individual, as a married individual filing separately or as a head of household, or ten thousand dollars for persons who file a return under the federal income tax as married individuals filing jointly. Withdrawals from the fund may be used for qualified home care expenses, upon receipt by the fund of a physician's certification that the designated beneficiary is in need of services for the integral activities of daily living.

(c) There is established an advisory committee to the Connecticut Homecare Option Program for the Elderly, which shall consist of the State Treasurer, the Comptroller, the Commissioner of Social Services, a representative of the Commission on Aging, the director of the long-term care partnership policy program within the Office of Policy and Management, and the cochairpersons and ranking members of the joint standing committees of the General Assembly having cognizance of matters relating to human services and finance, revenue and bonding and the cochairpersons and ranking members of the select committed having cognizance of matters relating to aging, or their designees. The Governor shall appoint one provider of home care services for the elderly and a physician specializing in geriatric care. The advisory committee shall meet at least annually. The State Comptroller shall convene the meetings of the committee.

Sec. 2. (NEW) (*Effective October 1, 2007*) The Treasurer, on behalf of the trust and for purposes of the trust, may:

(1) Receive and invest moneys in the trust in any instruments, obligations, securities or property in accordance with section 3 of this act;

(2) Procure insurance in connection with the trust's property, assets, activities, or deposits or contributions to the trust;

(3) Establish one or more funds within the trust and maintain separate accounts for each designated beneficiary; and

(4) Take any other actions necessary to carry out the purposes of sections 1 to 6, inclusive, of this act, and incidental to the duties imposed on the Treasurer pursuant to said sections.

Sec. 3. (NEW) (*Effective October 1, 2007*) Notwithstanding sections 3-13 to 3-13h, inclusive, of the general statutes, the Treasurer shall invest the amounts on deposit in the trust in a manner reasonable and appropriate to achieve the objectives of the trust, exercising the discretion and care of a prudent person in similar circumstances with similar objectives. The Treasurer shall give due consideration to rate of return, risk, term or maturity, diversification of the total portfolio within the trust, liquidity, the projected disbursements and expenditures, and the expected payments, deposits, contributions and gifts to be received. The Treasurer shall not require the trust to invest directly in obligations of the state or any political subdivision of the state or in any investment or other fund administered by the Treasurer. The assets of the trust shall be continuously invested and reinvested in a manner consistent with the objectives of the trust until disbursed for qualified home care expenses, expended on expenses incurred by the operations of the trust, or refunded to the depositor or designated beneficiary on the conditions provided in the participation agreement.

Sec. 4. (NEW) (*Effective October 1, 2007*) The Comptroller, on behalf of the trust and for purposes of the trust, may:

(1) Establish consistent terms for each participation agreement, bulk deposit, coupon or installment payments, including, but not limited to, (A) the method of payment into the trust by payroll deduction, transfer from bank accounts or otherwise, (B) the termination, withdrawal or transfer of payments under the trust, including transfers to a licensed home care or transportation provider, (C) penalties for distributions not used or made in accordance with this section, (D) changing the identity of the designated beneficiary, and (E) any charges or fees in connection with the administration of the trust;

(2) Enter into one or more contractual agreements, including contracts for legal, actuarial, accounting, custodial, advisory, management, administrative, advertising, marketing and consulting services for the trust and pay for such services from the gains and earnings of the trust;

(3) Apply for, accept and expend gifts, grants or donations from public or private sources to enable the trust to carry out its objectives;

(4) Adopt regulations, in accordance with chapter 54 of the general statutes, to implement the purposes of sections 1 to 6, inclusive, of this act;

(5) Sue and be sued; and

(6) Take any other action necessary to carry out the purposes of sections 1 to 6, inclusive, of this act, and incidental to the duties imposed on the Treasurer pursuant to said sections.

Sec. 5. (NEW) (*Effective October 1, 2007*) Participation in the trust and the offering and solicitation of the trust are exempt from sections 36b-16 and 36b-22 of the general statutes. The Treasurer shall obtain written advice of counsel or written advice from the Securities Exchange Commission, or both, that the trust and the offering of participation in the trust are not subject to federal securities laws.

Sec. 6. (NEW) (*Effective October 1, 2007*) The state pledges to depositors, designated beneficiaries and with any party who enters into contracts with the trust, pursuant to the provisions of sections 1 to 6, inclusive, of this act, that the state will not limit or alter the rights under said sections vested in the trust or contract with the trust until such obligations are fully met and discharged and such contracts are fully performed on the part of the trust, provided nothing contained in this section shall preclude such limitation or alteration if adequate provision is made by law for the protection of such depositors and designated beneficiaries pursuant to the obligations of the trust or parties who entered into such contracts with the trust. The trust, on behalf of the state, may include this pledge and undertaking for the state in participation agreements and such other obligations or contracts.

Sec. 7. Subparagraph (B) of subdivision (20) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007, and applicable to taxable years commencing on or after January 1, 2007*):

(B) There shall be subtracted therefrom (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia, to the extent properly includable in gross income for federal income tax purposes, (iv) to the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits, (v) to the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, for property placed in service after December 31, 2001, but prior to September 10, 2004, was added to federal adjusted gross income pursuant to subparagraph (A) (ix) of this subdivision in computing Connecticut adjusted gross income for a taxable year ending after December 31, 2001, twenty-five per cent of such additional allowance for depreciation in each of the four succeeding taxable years, (vi) to the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, (vii) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized, (viii) any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal adjusted gross income and is attributable to a trade or business carried on by such individual, (ix) ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal adjusted gross income and are attributable to a trade or business carried on by such individual, (x) (I) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than sixty thousand dollars or a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than sixty thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes; and (II) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is sixty thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code, (xi) to the extent properly includable in gross income for federal income tax purposes, any amount rebated to a taxpayer pursuant to section 12-746, (xii) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiii) to the extent allowable under section 12-701a, as amended by this act, contributions to accounts established pursuant to any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiv) to the extent properly includable in gross income for federal income tax purposes, the amount of any Holocaust victims' settlement payment received in the taxable year by a Holocaust victim, **[**and**]** (xv) to the extent properly includable in gross income for federal income tax purposes of an account holder, as defined in section 31-51ww, interest earned on funds deposited in the individual development account, as defined in section 31-51ww, of such account holder, and (xvi) to the extend allowable under section 12-701a, as amended by this act, contributions to accounts established pursuant to the Connecticut Homecare Option Program for the Elderly under sections 1 to 6, inclusive, of this act.

Sec. 8. Subparagraph (B) of subdivision (20) of subsection (a) of section 12-701 of the general statutes, as amended by section 71 of public act 05-251 and section 77 of public act 06-186, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007, and applicable to taxable years commencing on or after January 1, 2008*):

(B) There shall be subtracted therefrom (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia, to the extent properly includable in gross income for federal income tax purposes, (iv) to the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits, (v) to the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, for property placed in service after December 31, 2001, but prior to September 10, 2004, was added to federal adjusted gross income pursuant to subparagraph (A)(ix) of this subdivision in computing Connecticut adjusted gross income for a taxable year ending after December 31, 2001, twenty-five per cent of such additional allowance for depreciation in each of the four succeeding taxable years, (vi) to the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, (vii) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized, (viii) any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal adjusted gross income and is attributable to a trade or business carried on by such individual, (ix) ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal adjusted gross income and are attributable to a trade or business carried on by such individual, (x) (I) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than sixty thousand dollars or a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than sixty thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes; and (II) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is sixty thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue

Code, (xi) to the extent properly includable in gross income for federal income tax purposes, any amount rebated to a taxpayer pursuant to section 12-746, (xii) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiii) to the extent allowable under section 12-701a, as amended by this act, contributions to accounts established pursuant to any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiv) to the extent properly includable in gross income for federal income tax purposes, the amount of any Holocaust victims' settlement payment received in the taxable year by a Holocaust victim, (xv) to the extent properly includable in gross income for federal income tax purposes of an account holder, as defined in section 31-51ww, interest earned on funds deposited in the individual development account, as defined in section 31-51ww, of such account holder, (xvi) to the extend allowable under section 12-701a, as amended by this act, contributions to accounts established pursuant to the Connecticut Homecare Option Program for the Elderly under sections 1 to 6, inclusive, of this act, and **[**(xvi)**]** (xvii) to the extent properly included in gross income for federal income tax purposes, fifty per cent of the income received from the United States government as retirement pay for a retired member of (I) the Armed Forces of the United States, as defined in Section 101 of Title 10 of the United States Code, or (II) the National Guard, as defined in Section 101 of Title 10 of the United States Code.

Sec. 9. Section 12-701a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007, and applicable to taxable years commencing on or after January 1, 2007*):

The maximum annual modification under subparagraph (B)(xiii) or (B)(xvi) of subdivision (20) of subsection (a) of section 12-701, as amended by this act, shall be equal to the amount of contributions to all accounts established pursuant to any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, or to all accounts established pursuant to the Connecticut Homecare Option Program for the Elderly under sections 1 to 6, inclusive, of this act, established and maintained by this state or any official, agency or instrumentality of the state, but shall not exceed five thousand dollars for each individual taxpayer, or ten thousand dollars for taxpayers filing a joint return. Any amount of a contribution that is not subtracted by the taxpayer in the year for which the contribution is made, on or after January 1, 2006, may be carried forward as a subtraction from income for the succeeding five years; provided the amount subtracted shall not exceed the maximum allowed in each subsequent taxable year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2007*	New section
Sec. 2	*October 1, 2007*	New section
Sec. 3	*October 1, 2007*	New section
Sec. 4	*October 1, 2007*	New section
Sec. 5	*October 1, 2007*	New section
Sec. 6	*October 1, 2007*	New section
Sec. 7	*October 1, 2007, and applicable to taxable years commencing on or after January 1, 2007*	12-701(a)(20)(B)
Sec. 8	*October 1, 2007, and applicable to taxable years commencing on or after January 1, 2008*	12-701(a)(20)(B)
Sec. 9	*October 1, 2007, and applicable to taxable years commencing on or after January 1, 2007*	12-701a

Statement of Purpose:

To establish the Connecticut Homecare Option Program for the Elderly, providing for tax-deductible contributions to an individual savings account, the proceeds of which may be used to pay for services necessary for the integral activities of daily living, thus allowing persons to remain in their homes as they age.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]